Village of Dixie Inn, Louisiana Financial Statements As of and for the Year Ended June 30, 2012

Village of Dixie Inn, Louisiana

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Independent Auditors' Report

Village of Dixie Inn Dixie Inn, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Dixie Inn's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Dixie Inn, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2013 on our consideration of the Village of Dixie Inn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 – 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dixie Inn's financial statements as a whole. The accompanying supplementary information listed as other supplementary information in the table of contents and shown on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Dixie Inn. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village of Dixie Inn has not presented management's discussion and analysis, that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Cook & Morehart

Certified Public Accountants

January 14, 2013

Village of Dixie Inn Dixie Inn, Louisiana Statement of Net Assets June 30, 2012

			Business-Type Activities		Total
Assets	 				
Cash	\$ 295,017	\$	72,987	\$	368,004
Investments	60,305				60,305
Receivables	82,937		11,390		94,327
Prepaid Items	29,323				29,323
Restricted assets, cash			14,656		14,656
Capital assets (net)	 111,223		1,405,435		1,516,658
Total Assets	 578,805		1,504,468	 -	2,083,273
Liabilities					
Accounts, salaries and other payable Payable from restricted assets:	15,674		20,448		36,122
Customer deposits	 		14,584		14,584
Total liabilities	 15,674	<u></u>	35,032		50,706
Net Assets					
Invested in capital assets	111,223		1,405,435		1,516,658
Unrestricted	 451,908		64,001		515,909
Total net assets	\$ 563,131		1,469,436	\$	2,032,567

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Activities
For the Year Ended June 30, 2012

]	Program Revenues	Reven	Ser	Net (B	xpenses) i	Revenu	Net (Expenses) Revenue and Changes in Net Assets	ges in	Net Assets
	ι		Cha	Charges for	Cap	Capital Grants	Gover	Governmental	B.	Business- Type	<u> </u>	
Functions/Drograms:	ũ	expenses	წ	Services	and	and Contributions	Act Act	Activities	¥	Activities		Total
Governmental activities:												
General government	63	307,134	↔		↔		⊕	(307,134)	₩)		(9	(307, 134)
Public safety		183,832	ļ	40,513			Ū	(143,319)				(143,319)
Total governmental activities		490,966		40,513				(450,453)				(450,453)
Business-type activities												
Water and Sewer		106,303		90,405		207,903				192,005		192,005
Garbage collection		12,617	ļ	14,803						2,186		2.186
Total business-type activities		118,920		105,208		207,903				194,191		194,191
Total government	₩	988'609	€	145,721	€	207,903		(450,453)		194,191		(256,262)
			Genera	General revenues:	:2							
			Sa	Sales tax				301,083				301,083
			Fra	Franchise taxes	se es			10,329				10,329
			Lio	Licenses and permits	permits			36,672				36,672
			Inte	Intergovernmental	ental			158,399				158,399
			Inves	Investment eamings	ings			1,816		Ξ		1,827
			Othe	Other miscellaneous	eous			3,682				3,682
			Trans	Transfers				(52,702)	ı	52,702		
			Tot	Total generai revenues	revenue	S		459,279		52,713		511,992
			ຣັ	Changes in net assets	et asset	Ø		8,826		246,904		255,730
			Net as:	Net assets, beginning	ning			554,305	· 	1,222,532		1,776,837
			Net as:	Net assets, ending	5 0		↔	563,131	↔	1,469,436	es .	2,032,567

See accompanying notes to the basic financial statements.

Village of Dixie Inn Dixie Inn, Louisiana Balance Sheet Governmental Fund June 30, 2012

Assets		General
Cash Investments Receivables	\$	295,017 60,305 82,937
Total Assets	\$ <u> </u>	438,259
Liabilities and Fund Balance		
Liabilities: Accounts, salaries, and other payables	\$	15,674
Total Liabilities		_15,674_
Fund balance: Unassigned		422,585
Total Fund Balance	-	422,585
Total Liabilities and Fund Balances	_\$	438,259

Village of Dixie Inn Dixie Inn, Louisiana Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance - Governmental Fund	\$ 422,585
Amounts reported for government activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	111,223
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable	
financial resources.	 29,323
Net Assets of Governmental Activities	 <u>563,131</u>

Village of Dixie Inn

Dixie Inn, Louisiana

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund

For the Year Ended June 30, 2012

Revenues:		Seneral
Taxes		
Sales tax	\$	301,083
Franchise tax		10,329
Licenses and permits		36,672
Intergovernmental revenues		
State funds		158,399
Fines and forfeitures		40,513
Investment earnings		1,816
Other revenues		3,682
Total revenues		552,494
Expenditures:		
Current		
General government		324, 9 40
Public safety		172,923
Capital Outlay		41,845
Oapital Oatiay		71,010
Total expenditures		539,708
Excess (deficiency) of revenues over expenditures		12,786
Other financing sources (uses):		
Transfers out		(52,702)
Total other financing sources (uses)		(52,702)

Excess (deficiency) of revenues and other sources		
over expenditures and other uses		(39,916)
Fund balance, beginning of year		462,501
Fund balance, end of year	\$	422,585

Village of Dixie Inn Dixie Inn, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in the Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2012

Net change in fund balance - governmental fund	\$ (39,916)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(41,845) exceeds depreciation \$(17,386) in the current period.	24,459
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	 24,283
Change in Net Assets of Governmental Activities	\$ 8,826

Village of Dixie Inn Dixie Inn, Louisiana Statement of Net Assets Proprietary Fund June 30, 2012

		s-Type Activities erprise Fund
	Water	and Sewer Fund
Assets		
Current assets		
Cash	\$	72,987
Restricted cash		14,656
Receivables		11,390
Total current assets		99,033
Noncurrent assets		
Capital assets (net accumulated depreciation)	<u></u>	<u>1,405,435</u>
Total noncurrent assets		1,405,435
Total assets		1,504,468
Liabilities		
Current liabilities		
Accounts, salaries and other payable		20,448
Payable from restricted assets:		
Customer deposits		14,584
Total liabilities		35,032
Net assets		
Invested in capital assets		1,405,435
Unrestricted		64,001
Total net assets	\$	1,469,436

Village of Dixie Inn Dixie Inn, Louisiana

Statement of Revenues, Expenses and Changes in Fund Net Assets *Proprietary* Funds

For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Fund
	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water sales	\$ 67,804
Sewer charges	22,601
Total operating revenues	90,405
Operating Expenses	
Chemicals and supplies	15,908
Office expense	3,335
Utilities	12,191
Legal and accounting	2,100
Repair and maintenance	19,603
Depreciation	52,380
Total operating expenses	105,517
Operating income (loss)	(15,112)
Non-Operating Revenues (Expenses)	
Interest earnings	11
Interest expense	(786)
Garbage fees	14,803
Garbage collection fees	(12,617)
Total non-operating revenues (expenses)	1,411
Income (loss) before contributions and transfers	(13,701)
Capital contributions	207,903
Transfers In	52,702
Change in net assets	246,904
Total net assets, beginning of year	1,222,532
Total net assets, end of year	\$ 1,469,436

Village of Dixie Inn Dixie Inn, Louisiana Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2012

		s-Type Activities
		erprise Fund and Sewer Fund
Cash Flows from Operating Activities	vale: 2	and Dewei Tuna
Receipts from customers and users	\$	89,721
•	Ψ	(42,256)
Payments to suppliers		47,465
Net cash provided (used) by operating activities		41,400
Cash Flows from Noncaptial Financing Activities		
Transfer in		52,702
Other		3,709
Net cash provided (used) by noncapital fiancing activities		56,411
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets		(289,096)
Capital contributions		207,903
Principal paid on capital debt		(45,756)
Interest paid on capital debt		(2,310)
Net cash provided (used) by capital and related financing activities		(129,259)
Cash Flows from Investing Activities		
Interest income		11
Net cash provided (used) by investing activities		11
Net (decrease) in cash		(25,372)
Cash, beginning of year		113,015
Cash, end of year	_\$	87,643
Reconciliation of Operating Income(loss) to Net Cash Provided		
(used) by Operating Activities:		
Operating income (loss)	\$	(15,112)
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operating Activities:		
Depreciation expense		52,380
(Increase) decrease in accounts receivable		(684)
Increase (decrease) in accounts payable		11,830
Increase (decrease) in accrued interest		(1,524)
Increase (decrease) in customer deposits		575
Net cash provided (used) by operating activities	<u>\$</u>	47,465

Introduction

The Village of Dixie Inn, Louisiana (The Village) was incorporated August 8, 1962, under the provisions of the Lawrason Act. The Village is located in the Parish of Webster, being in the northwest corner of the State of Louisiana.

Elected officials of the Village of Dixie Inn are a mayor, three (3) aldermen, and a chief of police, who are elected every four years. The affairs of the Village are conducted and managed by the mayor and the board of aldermen.

(1) Summary of Significant Accounting Policies

The Village of Dixie Inn's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village of Dixie Inn are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Village of Dixie Inn is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Village of Dixie Inn), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Village of Dixie Inn are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14, as amended by GASB Statement No. 39, established criteria for determining which component units should be considered part of the Village of Dixie Inn for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- 1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Village to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village.
- Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village,
- Organizations for which the reporting entity financial statements would be misleading if data
 of the organization is not included because of the nature or significance of the relationship.

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- 2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

B. Basic Financial Statements - Government-Wide Statements

The Village of Dixie Inn's basic financial statements include both government-wide (reporting the funds maintained by the Village of Dixie Inn as a whole) and fund financial statements (reporting the Village of Dixie Inn's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's general fund is classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Village of Dixie Inn's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village of Dixie Inn's functions. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Village of Dixie Inn as an entity and the change in the Village of Dixie Inn's net assets resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Village of Dixie Inn are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village of Dixie Inn:

- Governmental Funds the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Village of Dixie Inn:
 - General fund is the general operating fund of the Village of Dixie Inn. It is used to
 account for all financial resources except those required to be accounted for in another
 fund.
- 2. Proprietary Funds the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund -- accounts for all financial resources except those required to be accounted for in another fund.

Utility Fund – accounts for the provision of water and sewer services of the Village.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Village's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-40 years
Land improvements	10-30 years
Infrastructure	25-50 years
Furniture and equipment	5–15 years
Vehicles	5–15 years
Other equipment	5-10 years
Water and sewer systems	5–40 years

GASBS No. 34 requires the Village to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

H. Revenues

Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Village is entitled to the funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Sales Taxes

The Village receives proceeds from a two percent sales and use tax, the revenue from which may be used for any lawful purpose.

K. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

L. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Bad Debts

The Village uses the direct charge-off method of accounting for water and sewer system receivables. Although this method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

O. Capitalized Interest

The Village capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

P. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Q. Fund Balance

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

- Nonspendable fund balances are amounts that cannot be spent because they are either

 (a) not in spendable form, such as inventory or prepaid expenses, or
 (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
- Restricted fund balances are restricted when constraints placed on the use of resources
 are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations
 of other governments, or (b) imposed by law through constitutional provisions or enabling
 legislation.
- 3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Village's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
- 4. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expensed by the Mayor, an appointed body or official the Village Alderman has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.
- Unassigned fund balance are the residual classification for the Village's general fund and include all spendable amounts not contained in the other classifications.

The Village's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the nongeneral funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

(2) Budgets

The Village follows the following budget practices:

- (a) The Village Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The budget for the General Fund was adopted on a budgetary basis - Cash for the year ended June 30, 2012. One amendment was made to the original budget and is reflected in the budget comparison schedule.

(3) Cash and Cash Equivalents

At June 30, 2012, the Village of Dixie Inn had cash and cash equivalents (book balances) totaling \$382,660, of which \$14,656 is shown as restricted asset cash. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2012, the Village's bank balances totaling \$132,561 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Village's name \$ 132,561

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(4) Investments

The investments in U.S. Government Securities are registered in the name of the Village and are held in a brokerage account insured by the SIPC. These investments are considered category A in applying the credit risk of the Governmental Accounting Standards Board (GASB).

The following is a summary of investments as of June 30, 2012:

		air Value/		
	<u>Carry</u>	<u>ring Amount</u>	_	<u>Cost</u>
Governmental Funds				
US Agency & Treasury Bonds	\$	58,480	\$	58,540
US Treasury Money Fund		<u>1,825</u>		<u>1,825</u>
Total investments	\$	60,305	<u>\$</u>	<u>60,365</u>

(5) Receivables

Receivables at June 30, 2012 are as follows:

Governmental activities:		
Sales and use taxes	\$	38,594
Franchise		1,996
Intergovernmental		28,766
Other		13,581
		82,937
Business-type activities:		
Water and sewer charges		11,390
-		11,390
	<u>\$</u>	94,327

(6) Restricted Cash- Customers' Deposits

Deposits held for customers that are currently active on the water system total \$14,656 at June 30, 2012.

(7) Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2012 is a follows:

	Beginning Balance	increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
L and	\$ 14,000	\$	_\$	<u>\$ 14,000</u>
Total capital assets,	<u> </u>			
not being depreciated	14,000			14,000
Capital assets, being depreciated				
Buildings	51,770			51,770
Improvements other than buildings	282,344			282,344
Machinery and equipment	124,191	41,845		166,036
Total capital assets,				
being depreciated	458,305	41,845		500,150
Less accumulated depreciation for:				
Buildings	(38,217)	(1,496)		(39,713)
Improvements other than buildings	(269,977)	(1,400)		(271,377)
Machinery and equipment	(77,347)	(14,490)		(91,837)
Total accumulated depreciation	(385,541)	(17,386)		(402,927)
Total capital assets being depreciated, net	72,764	24,459		97,223
Governmental activites capital assets, net	\$ 86,764	\$ 24,459	<u>\$</u>	\$ 111,223

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated	- 4545	•	•	¢ 4545
Land	\$ 1,045	\$	\$	\$ 1,045
Construction in progress	20,418		(20,418)	
Total capital assets,				
not being depreciated	21,463		(20,418)	1,045
Capital assets, being depreciated				
Buildings	478,785			478,785
Improvements other than buildings	997,460	309,515		1,306,975
Machinery and equipment	72,074			72,074
Total capital assets,				
being depreciated	1,548,319	309,515		1,857,834_
Less accumulated depreciation for:				
Buildings	(113,879)	(11,895)		(125,774)
Improvements other than buildings	(243,781)	(36,126)		(279,907)
Machinery and equipment	(43,404)	(4,359)		(47,763)
Total accumulated depreciation	(401,064)	(52,380)		(453,444)
Total capital assets being depreciated, net	1,147,255	257,135		1,404,390
Business-type activites capital assets, net	\$ 1,168,718	\$ 257,135	\$ (20,418)	\$ 1,405,435

Depreciation expense for the year ended June 30, 2012 was charged as follows:

Governmental activities:		
General		\$ 6,478
Police		 10,908
Total		\$ 17,386
Business-Type activities		
Sewer		\$ 26,190
Water		26,190
Total		\$ 52,380
	(Continued)	

(8) Operating Leases

The Village leases equipment under an operating lease. The rental costs paid on this lease for the year ended June 30, 2012 was \$1,009.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

Year Ending June 30,	Amount
2013	\$ 1,009
2014	<u>505</u>
	<u>\$1.514</u>

(9) Long-Term Obligations

Long-term liability activity for business-type activities for the year ended June 30, 2012 was as follows:

Beginning balance- revenue bonds	\$	45,756
Reductions		45,756)
Ending balance	<u>\$</u> _	

Interest expense incurred for the year ended June 30, 2012 was \$786, which was paid from the water and sewer fund.

(10) Retirement

Certain police officers are members of the Municipal Police Employees Retirement System. All other municipal employees participate in the Village's Defined Contribution Plan. All employees of the Village of Dixie Inn are covered by the Federal Social Security System. Pertinent information relative to each plan follows:

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description: All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy: Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Village of Dixie Inn is required to contribute at an actuarially determined rate. The current rate is 26.50% percent of annual covered payroll. The contribution requirements of plan members and the Village of Dixie Inn are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Dixie Inn contributions to the System for the years ending June 30, 2012, 2011 and 2010, were \$14,486, \$11,894, and \$5,725, respectively, equal to the required contributions for each year.

Defined Contribution Plan

For the year ended June 30, 2012, the Village of Dixie Inn participated in a defined contribution plan, as set forth under section 457(b) of the Internal Revenue Code, for the village clerk and water superintendent. The plan is administered by the Trust Company of Louisiana and the participants may contribute the lesser of \$8,000 or 25% of their yearly compensation. Employer contribution requirements are established and may be amended by the Village. The Village currently contributes 10% of the employee's annual compensation. For the years ended June 30, 2012, 2011, and 2010, employee and employer contributions to the plan were \$9,524, \$8,907, and \$8,893, respectively.

(11) Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village attempts to minimize risk from significant losses through the purchase of insurance.

(12) Subsequent Events

Subsequent events have been evaluated through January 14, 2013, the date the financial statements were available to be issued.

Village of Dixie Inn Dixie Inn, Louisiana

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Cash Basis) and Actual

General Fund

For the Year Ended June 30, 2012

								iance with	
		.	(6		A _ £.	(al Budget	
Revenues		Budgeted	I Amo	unts Final		Actual Amount Cash Basis		Positive (Negative)	
		Original			<u></u>		\$	21,809	
Sales tax	Þ	280,000	Þ	267,000	Φ	288,809	Ф	· ·	
Franchise tax		10,000		12,011		12,059		48	
Occupational licenses		30,000		30,072		29,411		(661)	
Intergovernmental revenues		137,000		137,511		153,985		16,474	
Fines and forfeitures		20,000		34,320		34,194		(126)	
Investment earnings		50		123		1,816		1,693	
Miscellaneous		1,000		1,740		5,690_		3,950	
Total revenues		478,050		482,777		525,964		43,187	
Expenditures									
General government		301,975		320,175		327,393		(7,218)	
Public safety		162,000		170,350		172,658		(2,308)	
Capital outlay		,		49,686		41,845		7,841	
Total expenditures		463,975		540,211		541,896		(1,685)	
Excess (deficiency) of revenues over									
(under) expenditures		14,075		(57,434)		(15,932)		41,502	
Other financing sources (uses):									
Operating transfers out		(30,000)		(52,702)		(52,702)			
Total other financing sources (uses)		(30,000)		(52,702)		(52,702)			
Excess (deficiency) of revenues and other									
sources over expenditures and other uses		(15,925)		(110,136)		(68,634)		41,502	
Fund balance, beginning of year		289,216		423,956		423,956	·		
Fund balance, end of year	\$	273,291	\$	313,820	<u>\$</u>	355,322	<u>\$</u>	41,502	

Village of Dixie Inn Dixie Inn, Louisiana Notes to Required Supplementary Information June 30, 2012

The Village's budget is adopted on a cash basis for the general fund. There was one amendment to the June 30, 2012 budget. The budget comparison schedule included in the accompanying financial statements includes the original and amended budget. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	General Fund		
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (68,634)	
Adjustments: Revenue accruals – net Expenditure accruals – net		26,531 2,187	
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	\$ (<u> 39,916)</u>	

Village of Dixie Inn Dixie Inn, Louisiana Schedule of Compensation Paid Board of Aldermen and Mayor For the Year Ended June 30, 2012

Mayor:	
Ava Nell McWhorter	\$ 26,000
Board Member:	
Kay Stratton	4,300
Pauline Fontenot	4,300
Joseph Walden	 4,300
Total	\$ 38,900

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Village of Dixie Inn Dixie Inn, Louisiana

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Village of Dixie Inn, Louisiana's basic financial statements and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Village of Dixie Inn is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village of Dixie Inn, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Dixie Inn, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Dixie Inn, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year audit findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village of Dixie Inn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of current year audit findings as items 2012–1 and 2012–2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Dixie Inn, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village of Dixie Inn's response to the findings identified in our audit is described in the accompanying Schedule of Current Year Audit Findings for the Louisiana Legislative Auditor. We did not audit the Village of Dixie Inn's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Village Aldermen, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Morehart

Certified Public Accountants

January 14, 2013

Village of Dixie Inn Dixie Inn, Louisiana Summary Schedule of Prior Year Audit Findings For Louisiana Legislative Auditor June 30, 2012

2011-1 - Control of Utility Accounts Receivable and Customer Deposits

Finding: Internal controls should be in place to adequately account for water and sewer accounts receivable and customer deposit collections, including proper segregation of duties.

Recommendation: The Village should have the CPA firm that maintains the general ledger reconcile the water and sewer accounts receivable and customer deposits to the general ledger with reports generated by the billing service that prepares the monthly water and sewer billings. This reconciliation should be done on a monthly basis.

Current Status: See repeat finding in current year audit.

2011-2 - Control over Traffic Tickets

Finding: Internal controls should be in place, including a proper segregation of duties, over the collection and deposit of traffic ticket revenue.

Recommendation: The Village Clerk should issue the ticket books to the police department and maintain a listing of all available tickets. The listing should be updated and reviewed periodically by the Village Clerk. Also, due to the lack of segregation of duties in regards to collection and deposit of ticket revenue, the Village should consider accepting only money orders/cashier checks for payment of traffic tickets.

Current Status: See repeat finding in current year audit.

Village of Dixie Inn Dixie Inn, Louisiana Schedule of Current Year Audit Findings For Louisiana Legislative Auditor June 30, 2012

Current Year Findings

2012-1 Material Weakness - Control of Utility Accounts Receivable and Customer Deposits

Criteria: Internal controls should be in place to adequately account for

water and sewer accounts receivable and customer deposit

collections, including proper segregation of duties.

Condition: The general ledger for the Village is maintained on the cash basis

by an outside CPA firm. Accounts receivable and customer deposit balances are adjusted-reconciled only at year end. Also, the Village Clerk is the only employee that collects payments from customers

and makes the deposits.

Cause: The Village has only one employee, the Village Clerk, for the

collection of water and sewer payments. Controls have not been implemented over the collection of water and sewer payments to adequately account for the accounts receivable and customer

deposits on a monthly basis.

Effect: Because the Village Clerk is the only employee collecting

and making the deposits for water and sewer payments, this causes a lack of segregation of duties. Also, by the CPA firm maintaining the Village's general ledger on the cash basis, controls are not in place to adequately account for the accounts receivable and customer deposits being collected

by the Village.

Recommendation: The Village should have the CPA firm that maintains the general

ledger reconcile the water and sewer accounts receivable and customer deposits to the general ledger with reports generated by the billing service that prepares the monthly water and sewer billings. This reconciliation should be done on a monthly basis.

Management Response: The Village of Dixie Inn is a small village with limited funds. Due to

the size of our village and the work load involved it is not feasible to hire more than one employee to run our business office. We have several controls to monitor the village's utility fund business matters. Our billing is done by an outside billing agent. All payments made have to balance with the billing done by the billing agent. Payment stubs are sent to the billing agent and have to match funds received by our municipal clerk. All meter deposits, changes in billing and adjustments that are made within a month are kept in a journal and this journal is sent to the billing agent. A separate deposit is done for all water deposits received and the name, address and amount of deposit is put in the deposit book.

Village of Dixie Inn
Dixie Inn, Louisiana
Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2012
(Continued)

Deposit books are kept in accordance with our record retention program. We will discuss with the CPA firm that prepares the village's monthly general fund ledger and financial statements, to consider performing a reconciliation of our account receivable subsidiary ledger on a monthly basis. This will assure that all transactions and money amounts are in balance with amounts received by the municipal clerk.

Name of Contact Person: Ava Nell McWhorter, Mayor

2012-2 Material Weakness - Control over Traffic Tickets

Criteria: Internal controls should be in place, including a proper

segregation of duties, over the collection and deposit of

traffic ticket revenue.

Condition: The Village Clerk is the one individual responsible for

collecting and depositing traffic ticket revenue. The Village also

accepts cash-currency for payments.

Cause: The Village Clerk is the one individual that is responsible for

collecting and depositing traffic ticket revenue.

Effect: Because the Village Clerk is the only employee collecting and

depositing traffic ticket revenue, this causes a lack of segregation of duties. Errors or irregularities could occur and not be detected. Controls are not in place to adequately account

for all traffic ticket revenue.

Recommendation: Due to the lack of segregation of duties in regards to collection

and deposit of ticket revenue, the Village should consider accepting only money orders/cashier checks for payment of traffic tickets or designate someone other than the Town Clerk to

receive and collect payments of traffic tickets.

Management Response: Due to the size of the village and the work load involved, it is

feasible to have only one office employee. When cash is received, a written receipt is issued. All receipt books are kept in accordance with our record retention program. Cash deposits are recorded in the deposit book and the name and amount of each payment is recorded in these books. The deposit book and the receipt book must match in amounts. The village has implemented a payment program so that when payments are

made they can be made through this collection company.

Name of Contact Person: Ava Nell McWhorter, Mayor